

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6633

BILL NUMBER: SB 543

NOTE PREPARED: Dec 30, 2012

BILL AMENDED:

SUBJECT: Sales Tax Exemption Related to Aircraft.

FIRST AUTHOR: Sen. Mishler

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill adds aircraft having the United States as its country of registration under the Sales and Use Tax exemption for items related to the repair, maintenance, refurbishment, remodeling, or remanufacturing of the aircraft or an avionics system of the aircraft.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR)* - This bill may increase the DOR's administrative costs. The DOR may have to amend Sales Tax forms and computer software to incorporate the bill's provisions. The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Summary* - Sales Tax revenue could decrease by \$1.17 M to \$1.75 M in FY 2014 and by \$1.22 M to \$1.83 M in FY 2015. This bill expands the current Sales and Use Tax exemption for items related to aircraft repair, maintenance, refurbishment, remodeling, or remanufacturing to include aircraft registered in the United States. Under current statute, only items purchased for aircraft registered outside the United States are exempt from Sales Tax.

Sales Tax revenue is deposited as follows: 99.848% in the state General Fund, 0.123% in the Commuter Rail Service Fund (CRSF), and 0.029% in the Industrial Rail Service Fund (IRSF). The table below shows the estimated impact of this bill on each fund in FY 2014 and FY 2015.

Impact on Funds		Low Estimate		High Estimate	
Fund	Distribution	FY 2014	FY 2015	FY 2014	FY 2015
General Fund	99.848%	(\$1,168,045)	(\$1,215,373)	(\$1,752,067)	(\$1,823,060)
CRSF	0.123%	(1,439.00)	(1,497.00)	(2,158.00)	(2,246.00)
IRSF	0.029%	(339.00)	(353.00)	(509.00)	(529.00)
Total	100.000%	(\$1,169,823.00)	(\$1,217,224.00)	(\$1,754,734.00)	(\$1,825,835.00)

Background Information - Total Sales Tax revenue collected from Federal Aviation Administration-registered aircraft repair locations was about \$2.3 M in CY 2011. It is estimated that 44% to 65% of those purchases were items related to the repair, maintenance, refurbishment, remodeling, or remanufacturing of aircraft registered inside the United States.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenue will decrease to the extent that a local unit receives distributions from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue; Revenue Technical Committee forecast (December 17, 2012).

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